

Part III Actuarial Memorandum and Certification

General Information

This filing is for the 1-50 small group market, with an effective date of 1/1/2017.

Company Identifying Information:

Company Legal Name: Humana Insurance Company of KY
State: KY
HIOS Issuer ID: 15411
Market: Small Group
Effective Date: 1/1/2017

Company Contact Information:

Primary Contact Name:
Primary Contact Telephone Number:
Primary Contact Email Address:

Scope and Purpose of the Filing

The purpose of the actuarial memorandum is to provide certain information related to the submission, including support for the values entered into the Part I Unified Rate Review Template, which supports compliance with the market rating rules and reasonableness of applicable rate increases. This filing should be used for no other purposes.

In addition, this actuarial memorandum provides required actuarial certifications related to:

- The methodology used to calculate the AV Metal Value for each plan
- The Index Rate is developed in accordance with Federal regulations and the development of plan specific premium rates using allowable modifiers to the Index Rate
- The geographic rating factors, which should reflect differences only in the costs of delivery and not differences in population morbidity by geographic area.
- The appropriateness of the EHB portion of premium

This memorandum was prepared by a qualified actuary, and is intended to be reviewed by a qualified actuary.

Please note that, to the best of our knowledge, this filing complies with the current regulations and guidance. However, to the extent that laws, rules or guidance change after the submission of this filing, amending this filing may be necessary.

Proposed Rate Increase(s)

The requested annualized rate increase for the Part III Actuarial Memorandum and Certification small group major medical business for this filed entity effective 1/1/2017 is an average of 7.17%. The minimum annualized plan increase is -2.06% and the maximum annualized plan increase is 15.15%. These annualized increases were derived by using the projected premium weighted average of 12-month accumulated rate actions throughout the projected period.

The requested annualized rate increase for product 15411KY131 effective 1/1/2017 is an average of 7.7%. The minimum annualized plan increase is -1.7% and the maximum annualized plan increase is 11.4%.

The requested annualized rate increase for product 15411KY134 effective 1/1/2017 is an average of 6.5%. The minimum annualized plan increase is -2.1% and the maximum annualized plan increase is 13.8%.

The requested annualized rate increase for product 15411KY135 effective 1/1/2017 is an average of 6.9%. The minimum annualized plan increase is -1.1% and the maximum annualized plan increase is 14.2%.

The requested annualized rate increase for product 15411KY147 effective 1/1/2017 is an average of 8.0%. The minimum annualized plan increase is -0.9% and the maximum annualized plan increase is 15.1%.

The 1/1/2017 rate action is 0.511% which includes the following:

- A base rate action change of -2.00%.
- Quarterly trend of 1.82%.
- Benefit changes of 0.19%. This includes an increase in therapy limits and coverage of wigs.
- An average plan factor change of 0.54%.

Experience Period Premium and Claims

Experience Period: From 1/1/2015 to 12/31/2015

Paid Through Date: 2/29/2016

Premiums in Experience Period:	\$197,856,725
MLR rebate:	\$0.00
Expected Risk Adjustment Receivables or Payables:	+ (\$478,347.59)
Premiums (net of MLR Rebate) in Experience Period:	\$197,378,378

The basis for the Humana Small Business rebate forecast is forecasted membership, premium, claims (including quality improvement expenditures), and expenses at the state and legal entity level. These forecasted metrics are run through a simulated rebate model, where the various components of rebate legislation are applied. The most impactful adjustments include the credibility adjustment (based on forecasted member months) and the adjustment to remove taxes and licensing fees from premium. These items are combined to estimate the Medical Loss Ratio (MLR), which is then compared against the 80% threshold for the Small Business segment to calculate final expected rebates.

MLR rebates for this state and legal entity name have been estimated using the 1-50 group segment experience (including grandfathered experience); however, the experience period data has been defined as 1-50 non-grandfathered. Therefore, the expected amount of the MLR rebates to be refunded to the 1-50 group non-grandfathered segment has been allocated as a percentage of the total 1-50 group segment experience (including grandfathered experience) earned premium prior to MLR rebates.

Allowed and Incurred Claims Incurred During the Experience Period:

	Allowed Claims	Incurred Claims
Claims that were processed through the issuer's claim system	213,772,842	166,236,902
Claims that were processed outside the issuer's claim system	0	0
Claims incurred but not paid as of paid through date	3,638,551	2,829,459

Allowed claims come directly from Humana's claims system after eligibility and network discounts are applied. Allowed medical claims, allowed Rx claims, and member capitation payments are combined to populate the experience period data above. Member cost sharing is removed from the allowed claims to report the incurred claims entered above.

To estimate incurred claims, all commercial claims experience is segregated by legal entity, processing platform, product, geography and claim category so that appropriate balance of homogeneity and credible size is maintained. The segmentation logic is reviewed at least annually or when significant changes in the block occur (e.g. acquisitions). The paid-to-incurred claim triangles for each block are used to develop completion factors that are applied to each incurred month to estimate ultimate incurred amounts. Estimated ultimate incurred claims for the most recent twelve months are then adjusted for pending claims if there is a material variance from historical levels.

Claim costs in the most recent months have highly variable development factors that generate unreliable estimates of ultimate claim costs. For these months, the initial incurred estimates are blended with estimates from a projection method, based on per member per month (PMPM) expected claim costs. The projected PMPM uses a prior period to determine an historical average, which is trended from the midpoint of the experience period to the current month, with adjustments made for seasonality.

Finally, the completion factors and estimated ultimate incurred claims are reviewed and may be changed to account for known anomalies in the data that may have distorted the calculation. The difference between the estimated ultimate incurred claims and the current paid-to-date amounts is the estimate of the incurred but not paid claims for each incurred month. In the calculation process, completion factors, per typical actuarial practice, are not permitted to be greater than 1.00. That is, no coverage month is permitted to have an incurred claim estimate less than the amount of claims paid to date even though historical experience may indicate that this is likely due to future claim recoveries.

For each month of incurred, the incurred but not reported amount equals the incurred claims estimate minus claims paid to date. Follow-up studies, including monthly historical reserve restatement analyses, are regularly performed to test the accuracy of the reserving methodology and suggest possible improvements.

Allowed but not reported estimates are developed utilizing the combination of the incurred but not reported estimate and the incurred to allowed ratio of historical claims. $[\text{Allowed Claims not paid as of paid through date}] = [\text{Allowed Claims}] / [\text{Incurred Claims}] * [\text{Incurred Claims not paid as of paid through date}]$.

Benefit Categories

The Benefit Categories are defined as follows:

Inpatient Hospital: Includes non-capitated facility services for medical, surgical, maternity, mental health and substance abuse disorder, skilled nursing, and other services provided in an inpatient facility setting and billed by the facility.

Outpatient Hospital: Includes non-capitated services for surgery, emergency services, lab, radiology, therapy, observation and other services provided in an outpatient facility setting and billed by the facility. The Outpatient Hospital benefit category uses a combination of both visits and services to determine the utilization per 1,000. For items such as Outpatient Surgery and Emergency Room, where multiple services are rendered and can be billed together, visits are used for the measurement units. For single items that can be billed separately, such as Outpatient Therapy or MRI, services are used for the measurement units.

Professional: Includes non-capitated primary care, specialist, therapy, laboratory, radiology, and other professional services not billed by the facility. The Professional benefit category uses a combination of both visits and services to determine the utilization per 1,000. For items such as Primary Care or Specialist Office visits, where multiple services are rendered and can be billed together, visits are used for the measurement units. For single items that can be billed separately, such as Therapy or MRI, services are used for the measurement units.

Other Medical: Includes non-capitated ambulance, home health care, DME, prosthetics, supplies, vision exams, dental services and other services. The Other Medical benefit category uses a combination of both visits and services to determine the utilization per 1,000. For items such as Home Health visits, where multiple services are rendered and can be billed together, visits are used for the measurement units. For single items that can be billed separately, such as DME, services are used for the measurement units.

Capitation: Includes all services provided under one or more capitated arrangements.

Prescription Drug: Includes drugs dispensed by a pharmacy. This amount should be net of rebates received from drug manufacturers.

Other was selected for utilization description under the prescription drugs benefit category. In this case, the Other represents Days Supply.

Claims Projection Factors - from the Experience Period to the Projected Period

3.42% Changes in the Morbidity of the Population Insured:

This assumption is intended to capture the change in underlying morbidity for the risk pool in the projected period compared to the experience period risk pool. The experience period data includes experience for groups enrolled on a Community-Rated plans and groups remaining on their current plans as allowed by Transitional Extension. The development of the underlying morbidity considers expected changes in both our Community-Rated and Transitional Relief risk profiles (for new, existing, and transferring members).

3.30% Changes in Benefits:

0.68% Addition of any benefits that must be covered under the essential health benefit package. These benefits include:

- | | |
|--------------------------|--------------------------|
| Oral Surgery | Private Duty Nursing |
| Prosthetics/Bionics | Tobacco Cessation |
| Ped Den/Vision 100% prev | Change in Therapy Limits |
| Coverage of Wigs | |

0.11% ● Federal Mental Health Parity

0.10% ● For Mandated benefits, including:

- | | |
|-------------------------|----------------------------|
| Oral Chemo drugs capped | Breast Cancer Drugs- USPTF |
| Lung Cancer Screening | Smoking cessation |

2.40% ● Anticipated changes in the average utilization of services due to differences in average cost-sharing requirements during the experience period and average cost-sharing requirements in the projection period

1.63% Changes in Demographics:

1.81% This is intended to capture the change in age and gender from the experience period to the projected period. This adjustment is based on historical nationwide grandfathered age/gender rating factors to calculate the average change in claims factor.

-0.18% ● Area Distribution Change - This captures the change in area distribution from the experience period to the projected period for the filed legal entity.

-0.16% Other Adjustments

- 0.09% ● Pooling Charge - In the Experience Period we experienced a higher than expected shock claim amount. A shock claim is defined as any claims in excess of \$60,000 per member per month. For the Projected Period, we're adjusting the claims -0.09% to account for the expected level of shock claims.

- 0.01% ● Private Reinsurance - Recovery payments the company received from private reinsurance. We are adjusting claims 0.01% for the expected level of reinsurance claims.

- 0.07% ● Pharmacy Rebates captures the impact to net trend from incremental increases in prescription drug rebates due to price inflation, formulary changes, improved rebate contract negotiations with manufacturers, and rebates for new pipeline drugs entering the market. The rebate changes and forecasts are evaluated by an internal actuarial organization. Rebate estimates are reviewed with leadership to ensure appropriateness of assumptions.

9.21% Trend Factors (Cost/Utilization)

7.43% Cost Trend

The primary cost trend component is Provider Price Index (PPI) and it captures pure unit cost changes, calculated using the same basket of services each period, due to price/contract negotiations and provider distribution changes.

Professional and other medical cost trends are developed based on historical area specific cost trends from Humana's Commercial block of business data. Inpatient hospital and outpatient services are calculated from Humana contracting information historically. Future cost trends are developed based on expected changes in Humana's Commercial contracts.

Pharmacy cost trends are developed based on historical brand, generic, and specialty drug trends from Humana's Commercial data. Future cost trends are developed based on expected changes in these pharmacy contracts.

These contractual impacts will be applicable to all members regardless of risk class.

Other components are added to the provider price index trend to develop the total cost trend provided. These include the following:

- Catastrophic claims – Captures changes in the cost of catastrophic claims. A catastrophic claim is defined as any month where a member's claims are greater than the monthly threshold, starting at \$50,000 in January 2006 and trended at 6% annually. These catastrophic claims are then calculated on a PMPM basis and compared year over year to determine the trend. It is assumed in forecasted months that this category regresses to the mean and therefore has little to no impact.
- Influenza – Captures the impact of cost trend due to influenza which is identified by ICD-9 code, and pneumonia which is using DRG codes. This also includes the change in cost for pharmacy treatment and vaccination of influenza.
- New Health Technologies (HTP) – Captures the cost impact of new pipeline drugs, drugs losing patent, treatment guidelines, medical devices, and other health technologies. Cost impacts are estimated by using a combination of internal analysis by Humana's Actuarial and Clinical Pharmacist teams, along with supplemental information and analysis from an external consulting firm.
- Management Initiatives (MI) – Captures savings for Humana initiatives designed to bend trend by managing cost, such as shifting emphasis towards outpatient surgery, and ensuring claims are coded correctly. These initiatives are evaluated by an internal actuarial organization tasked with evaluating the effectiveness of the initiatives. Evaluations are done through a collaborative effort involving clinical and other operational areas. Projected savings are calculated by determining prospective changes to impacted metric values, which are determined by analyzing historical metric values as well as through discussions with clinical and operational areas. Savings are reviewed with leadership to ensure appropriateness of assumptions.

This describes the development of the core cost trend. All impacts from healthcare reform have been removed and are included in the "Population Risk/Morbidity" and "Other" trend sections to prevent double counting of any impacts.

1.64% Utilization Trend

Using Humana's Trend Quantification and Projection model, a baseline trend is developed using Humana's Commercial block of business historical medical claims data. The historical baseline trend is developed by removing all known impacts to allowed trend such as demographics, geography, duration, morbidity, customer changes, benefit changes, influenza, new health technologies, management initiatives, and changes in pertinent days. An economic regression model, based on consumer sentiment, housing prices, employment, personal disposable income, hospital construction, and high-tech medical equipment spend, is then fit to this historical baseline data to project the future block of business baseline trend from the Experience Period to the Projected Period.

Other components are added to the baseline trend to develop the total utilization trend provided. These include the following:

- Pertinent days – Captures changes in the calendar, recognizing that health care utilization varies by day of the week and reporting periods contain varying weekday mix and count. This impact is developed through the use of an internal model which is uploaded with Humana's Commercial claims data.
- Influenza – Captures the impact of unit trend due to influenza which is identified by ICD-9 code, and pneumonia which is identified using DRG codes. This also includes the change in utilization for pharmacy treatment and vaccination of influenza.
- New Health Technologies (HTP) – Captures the utilization impact of new pipeline drugs, drugs losing patent, treatment guidelines, medical devices, and other health technologies. Utilization impacts are estimated by using a combination of internal analysis by Humana's Actuarial and Clinical Pharmacist teams, along with supplemental information and analysis from an external consulting firm.
- Management Initiatives (MI) – Captures savings for Humana initiatives designed to bend trend by managing utilization, such as case management, disease management, and nurse programs. These initiatives are evaluated by an internal actuarial organization tasked with evaluating the effectiveness of the initiatives. Evaluations are done through a collaborative effort involving clinical and other operational areas. Projected savings are calculated by determining prospective changes to impacted metric values, which are determined by analyzing historical metric values as well as through discussions with clinical and operational areas. Savings are reviewed with leadership to ensure appropriateness of assumptions.

This describes the development of the core utilization trend. All impacts from healthcare reform have been removed and are included in the "Population Risk/Morbidity" and "Other" trend sections to prevent double counting of any impacts.

Credibility Rate Manual Development

Source and Appropriateness of Experience Data Used:

The source data is fully credible and therefore used to develop the manual rate.

Adjustments Made to the Data:

The source data is fully credible and therefore used to develop the manual rate.

Changes in the Morbidity of the Population Insured:	Experience is fully credible
Changes in Benefits:	Experience is fully credible
Changes in Demographics:	Experience is fully credible
Other Adjustments:	Experience is fully credible
Trend Factors:	Experience is fully credible

Inclusion of Capitation Payments:

No adjustments were made to the data. The source data already includes capitated payments.

Credibility of Experience

Description of the Credibility Methodology Used:

A value of 120,000 member-months of experience is assumed to be fully credible, this value was derived based on analyzing historical experience. The 120,000 member-months threshold for full credibility is based upon a 95% confidence interval with a +/- 5% tolerance level. Our credibility weight methodology utilizes the following equation:

$$= \sqrt{\frac{Membermonths\ in\ experience\ period}{120,000}}$$

Resulting Credibility Level Assigned to Base Period Experience when applying the proposed credibility methodology:

100%

Member Months:	560,245
Nationwide Member Months:	5,779,593

Paid to Allowed Ratio

The 2017 paid to allowed ratios were developed using Humana's internal pricing model. The anticipated paid to allowed average factor over the projection period was developed by separately calculating the expected paid and allowed cost of each plan based on a standard population. The estimated paid to allowed ratio demonstration is only for reporting purposes. Humana sets rates by directly estimating the portion of the health plan's costs using incurred claims data as described in an earlier section.

The projected period paid to allowed ratio is calculated using the projected period member month weights for each plan and the developed paid to allowed ratios for each plan. The overall expected paid to allowed average factor is 75%.

The 2017 plan factors were developed using an updated internal pricing model and were priced relative to a base plan from the prior product generation of plan factors. The resulting premium rates were appropriate given the expected claims cost; however, the average projected plan factor does not align to the average projected paid to allowed ratio. As a result, the plan factors have been modified to more closely resemble average projected paid to allowed ratio. The impact to the premium rates of each plan is rate neutral.

This neutrality is yielded by offsetting the increase in the plan factors in the base rate.. The offsetting amount in the base rate factor is -3.81%.

The 2017 plan factors have also been normalized for the network applied at the Product Id level. The projected period average network factor is calculated using the projected period member month weights for each plan and unit cost network factors developed at the Product Id level.

The same adjustment has been applied to all plan factors in order to achieve an average network factor of 1.00. An offsetting amount of -0.44%. has been applied to the base rate.

Risk Adjustment and Reinsurance

Projected Risk Adjustments PMPM:

Steps in Developing Humana's Expected Risk Adjustment Transfer Amount:

1. Begin with the Wakely Consulting "Version 6" estimate of Humana's YTD transfer position vs. carriers in each state. See below for more info on Wakely estimates.
2. We do not receive Wakely estimates for all states. For states without Wakely estimates we use a regression model to predict what the state average transfer components (across all carriers) would be if we had Wakely estimates. This regression model is built based on the states for which we do have Wakely estimates, and it predicts the state average transfer components in those states using the prior year's 2014 CMS actuals as predictors. In non-Wakely states, we compare our Humana risk score and other transfer components to these regression estimates, and the resulting YTD transfer position is used in subsequent steps as if it were a Wakely estimate.
3. The YTD transfer estimate is applicable only to the experience period and uses membership available at the time of the Wakely estimate. For example, when doing pricing for a 7/1/2016 or even a 1/1/2017 effective date, calendar year 2015 would be the experience period (the claims experience period in the filing may not be a calendar year, but risk adjuster transfers must be). To get a final view of what the experience period transfer will be, we project sales and terms in the future, simulating the exchange of membership between Humana and the rest of the market. In so doing, we consider the very important fact that groups with less than a full year of risk adjusted experience will end up receiving only part of the risk adjustment score that they would have received with a full year of experience.
4. At this point we do not have sufficient information to do detailed projections of how our position would change in future years. Therefore, we make the default assumption that our position will remain the same from year to year.

The state of KY does have Wakely estimates to use directly.

Wakely Consulting is an actuarial consulting firm that has established a robust and sophisticated method of collecting risk adjustment data from participating carriers. Once it has collected the necessary data, it calculates all components of the risk adjustment formula for all carriers, and releases summaries of this to each participating carrier. Note that Wakely does not release results unless there is sufficient carrier participation (approximately 75% of the market). The data given to Wakely represents claims incurred and paid through a particular period only (for example, October 2015), and Wakely has predictive models to estimate, at the member level, what the risk scores will be once the data is incurred through December and paid through the following April. This estimate is called Version 6, and is what we use as the foundation of our risk adjuster projections.

The projected risk adjustment is \$ -1.77 PMPM for this state and legal entity. This includes the Risk Adjuster Fee that will be charged at \$1.75 PMPY or \$.15 PMPM as stated in the 2017 Final Notice of Benefit and Payment Parameters published on Tuesday, March 8, 2016.

Projected ACA Reinsurance Recoveries Net of Reinsurance Premium:

As stated in the 2017 Final Notice of Benefit and Payment Parameters published on Tuesday, March 8, 2016, the uniform reinsurance contribution rate will be charged at \$0 PMPY or \$0 PMPM.

Non-Benefit Expenses and Profit & Risk

Expenses are based on our internal forecast for the projected period. Expenses are estimated based off of current costs, projected volume changes and estimated changes in department workload. These expenses are simply loaded as a flat percentage of premium at this point in time and do not vary by product or plan.

14.65%	Administrative Expense Load
5.28%	•Broker & Sales Commissions: Compensation expenses associated with business issued through an agent or agency
1.22%	•Clinical & Network Operations: non-quality clinical costs, provider contracting, and network maintenance & development
1.59%	•IT Expenses: costs associated with maintenance and development of systems
0.75%	•Customer Service & Account Installation: call center, customer service, and account management
2.58%	•Corporate Administration: shared functions that are not exclusive to small group medical segment, including corporate finance, legal, human resources, etc.
1.36%	•Small Group Administration: functional areas & personnel that solely work on small group medical segment
1.87%	•Quality Expenses: Expenses associated with quality that are allowed adjustments under the Medical Loss Ratio
3.32%	Profit (or Contribution to Surplus) & Risk Margin
	•Since taxes (including any federal income tax) are captured separately in the Taxes & Fees input, the profit and risk load reflects after-tax amounts. The margin shown does not vary by product or plan.
3.70%	Taxes and Fees
1.00%	• State Premium Tax: state premium tax; charged on a percentage of premium
0.62%	• Federal Insurer Annual Fee: assessment created in 2014 by PPACA. Not income tax deductible. For the projected period (1Q17 through 4Q17), the Federal Insurer Fee was determined by blending the estimated fees in 2017 and 2018.
1.79%	• Federal Income Tax
0.04%	• Comparative Effectiveness Research Fee: This is also known as the Patient-Centered Outcomes Research Institute (PCORI) Fee. PPACA Section 6301 imposes a fee on commercial health insurers and self-insured plans (\$1 per covered life in 2013, \$2 per covered life in 2014, and trended thereafter to 2019 by the percentage increase of the projected per capita amount of National Health Expenditures as published by HHS) to fund research on the comparative effectiveness of medical treatment.
0.25%	• Other miscellaneous taxes account for the cost of state licensing and filing compliance costs.

Projected Loss Ratio

<u>Claims</u>	\$344.38	<u>Premiums</u>	\$441.89
+ Quality Expenses	\$8.35	- Taxes and Fees	<u>\$16.49</u>
+ Payment for Risk Adjuster	\$1.62		\$425.39
+ Payment for Risk Corridor	\$0.00		
- Receipt for Risk Adjuster	\$0.00		
- Receipt for Risk Corridor	<u>\$0.00</u>		
	\$354.35		

The projected loss ratio using the Federally prescribed MLR methodology is:

$$\frac{\$354.35}{\$425.39} = 83.3\%$$

If the realized loss ratio is less than 80%, then the company will comply with the Federal MLR requirements outlined in PHSA 2718.

Single Risk Pool

The Single Risk Pool is established according to the requirements in 45 CFR part 156.80(d) which includes all enrollees in all health plans (other than grandfathered health plans) subject to section 2701 of the Public Health Service Act. The Single Risk Pool is specific to the legal entity and the state of this filing.

The single risk pool includes transitional products/plans for purposes of base rate experience used to demonstrate the single risk pool. The projection period reflects experience of transitional policies to the extent that Humana anticipates the members in those policies will be enrolled in single risk pool compliant plans during the projection period.

Index Rate

The Experience Period is for coverage months between January 2015 and December 2015. The Index Rate is specific to the legal entity for the state and market for which it is submitted. The Index Rate represents the estimated total combined allowed claims experience PMPM for the single risk pool (employers with 50 or fewer employees), and was not adjusted for payments and charges under the risk adjustment, reinsurance programs, or for Marketplace user fees. The single risk pool includes transitional products/plans experience. For single risk pool compliant plans, any covered benefits in excess of EHB are included in the allowed claims but excluded from the Index Rate. For non-single risk pool compliant plans, the covered benefits offered by the company were leaner than The Essential Health benefits required by the Affordable Care Act. Therefore, the allowed claims associated with non-single risk pool compliant plans do not need to be adjusted for any benefits in excess of EHB. In the projected period, any covered benefits in excess of EHB are included in allowed claims and excluded from the Projected Index Rate. The Projected Index Rate reflects group policies for employees with 50 or fewer employees that Humana expects to be enrolled in single risk pool compliant plans during the projected period.

There are no state mandated covered benefits that are included in allowed claims but excluded from the index rate.

Projected Allowed claims

÷ non-EHB covered in projection period

1Q17 Index Rate

459.44

1.00000

459.44

= Wkst1 V32

	1Q17	2Q17	3Q17	4Q17	Annual Members
Members by Quarter Impacted by Rate Change					36,564
Quarterly Allowed Core Trend					
Index Rate					\$467.73
Quarterly Core Trend					
Base Rate					\$435.81

Market-Wide Adjusted Index Rate

Projected Index Rate

+ Projected Risk Adjustments PMPM

+ Projected Reinsurance Recoveries PMPM

+ Projected Exchange Fee PMPM

Market-Wide Adjusted Index Rate

\$1.77

\$0.00

\$0.00

÷

÷

÷

0.750

0.750

0.750

=

=

=

\$2.36

\$0.00

\$0.00

\$470.10

Plan Adjusted Index Rates

Market-Wide Adjusted Index Rate

\$470.10

Plan	Cost Sharing Adjustment	Network	Addition to EHB	Admin and Fees = 1 / (1 - Admin)	Plan Adjusted Index Rate	Member Distribution
15411KY1310001					\$390.56	
15411KY1310002					\$0.00	
15411KY1310003					\$0.00	
15411KY1310004					\$0.00	
15411KY1310005					\$463.23	
15411KY1310006					\$0.00	
15411KY1310007					\$0.00	
15411KY1310008					\$0.00	
15411KY1310009					\$0.00	
15411KY1310010					\$0.00	
15411KY1310011					\$0.00	
15411KY1310012					\$0.00	
15411KY1310013					\$383.12	
15411KY1310014					\$380.24	
15411KY1310015					\$0.00	
15411KY1310016					\$0.00	
15411KY1310017					\$0.00	
15411KY1310018					\$365.89	
15411KY1310019					\$0.00	
15411KY1310020					\$0.00	
15411KY1310021					\$0.00	
15411KY1310022					\$0.00	
15411KY1310023					\$333.25	
15411KY1310024					\$0.00	
15411KY1310025					\$0.00	
15411KY1310026					\$0.00	
15411KY1310027					\$0.00	
15411KY1310028					\$0.00	
15411KY1310029					\$0.00	
15411KY1310030					\$0.00	
15411KY1310032					\$0.00	
15411KY1310034					\$0.00	
15411KY1310035					\$0.00	
15411KY1310037					\$0.00	
15411KY1310038					\$0.00	
15411KY1310039					\$0.00	
15411KY1310040					\$0.00	
15411KY1310101					\$371.89	
15411KY1310102					\$353.41	
15411KY1310103					\$314.58	

<u>Plan</u>	<u>Cost Sharing Adjustment</u>	<u>Network</u>	<u>Addition to EHB</u>	<u>Admin and Fees</u> = 1 / (1 - Admin)	<u>Plan Adjusted Index Rate</u>	<u>Member Distribution</u>
15411KY1310107					\$358.69	
15411KY1310108					\$357.91	
15411KY1310109					\$302.34	
15411KY1310201					\$348.61	
15411KY1310206					\$376.69	
15411KY1310207					\$365.35	
15411KY1310209					\$276.83	
15411KY1310210					\$283.44	
15411KY1320001					\$0.00	
15411KY1320002					\$0.00	
15411KY1320003					\$0.00	
15411KY1320004					\$0.00	
15411KY1320005					\$0.00	
15411KY1320006					\$0.00	
15411KY1320007					\$0.00	
15411KY1320008					\$0.00	
15411KY1320009					\$0.00	
15411KY1320010					\$0.00	
15411KY1320011					\$0.00	
15411KY1320012					\$0.00	
15411KY1320013					\$0.00	
15411KY1320014					\$0.00	
15411KY1320015					\$0.00	
15411KY1320016					\$0.00	
15411KY1320017					\$0.00	
15411KY1320018					\$0.00	
15411KY1320019					\$0.00	
15411KY1320020					\$0.00	
15411KY1320021					\$0.00	
15411KY1320022					\$0.00	
15411KY1320023					\$0.00	
15411KY1320024					\$0.00	
15411KY1320025					\$0.00	
15411KY1320026					\$0.00	
15411KY1320027					\$0.00	
15411KY1320028					\$0.00	
15411KY1320029					\$0.00	
15411KY1320030					\$0.00	
15411KY1320032					\$0.00	
15411KY1320034					\$0.00	
15411KY1320035					\$0.00	
15411KY1320037					\$0.00	
15411KY1320038					\$0.00	

<u>Plan</u>	<u>Cost Sharing Adjustment</u>	<u>Network</u>	<u>Addition to EHB</u>	<u>Admin and Fees</u> = 1 / (1 - Admin)	<u>Plan Adjusted Index Rate</u>	<u>Member Distribution</u>
15411KY1320039					\$0.00	
15411KY1320040					\$0.00	
15411KY1330001					\$0.00	
15411KY1330002					\$0.00	
15411KY1330003					\$0.00	
15411KY1330004					\$0.00	
15411KY1330005					\$0.00	
15411KY1330006					\$0.00	
15411KY1330007					\$0.00	
15411KY1330008					\$0.00	
15411KY1330009					\$0.00	
15411KY1330010					\$0.00	
15411KY1330011					\$0.00	
15411KY1330012					\$0.00	
15411KY1330013					\$0.00	
15411KY1330014					\$0.00	
15411KY1330015					\$0.00	
15411KY1330016					\$0.00	
15411KY1330017					\$0.00	
15411KY1330018					\$0.00	
15411KY1330019					\$0.00	
15411KY1330020					\$0.00	
15411KY1330021					\$0.00	
15411KY1330022					\$0.00	
15411KY1330023					\$0.00	
15411KY1330024					\$0.00	
15411KY1330025					\$0.00	
15411KY1330026					\$0.00	
15411KY1330027					\$0.00	
15411KY1330028					\$0.00	
15411KY1330029					\$0.00	
15411KY1330030					\$0.00	
15411KY1330032					\$0.00	
15411KY1330034					\$0.00	
15411KY1330035					\$0.00	
15411KY1330037					\$0.00	
15411KY1330038					\$0.00	
15411KY1330039					\$0.00	
15411KY1330040					\$0.00	
15411KY1340001					\$474.69	
15411KY1340002					\$0.00	
15411KY1340003					\$0.00	
15411KY1340004					\$0.00	

<u>Plan</u>	<u>Cost Sharing Adjustment</u>	<u>Network</u>	<u>Addition to EHB</u>	<u>Admin and Fees</u> = 1 / (1 - Admin)	<u>Plan Adjusted Index Rate</u>	<u>Member Distribution</u>
15411KY1340005					\$565.97	
15411KY1340006					\$0.00	
15411KY1340007					\$482.62	
15411KY1340008					\$486.70	
15411KY1340009					\$0.00	
15411KY1340010					\$472.29	
15411KY1340011					\$532.79	
15411KY1340012					\$525.10	
15411KY1340013					\$463.23	
15411KY1340014					\$458.49	
15411KY1340015					\$449.25	
15411KY1340016					\$0.00	
15411KY1340017					\$502.90	
15411KY1340018					\$443.01	
15411KY1340019					\$0.00	
15411KY1340020					\$0.00	
15411KY1340021					\$0.00	
15411KY1340022					\$0.00	
15411KY1340023					\$409.64	
15411KY1340024					\$0.00	
15411KY1340025					\$0.00	
15411KY1340026					\$404.00	
15411KY1340027					\$530.45	
15411KY1340028					\$368.29	
15411KY1340029					\$0.00	
15411KY1340030					\$0.00	
15411KY1340032					\$0.00	
15411KY1340034					\$0.00	
15411KY1340035					\$340.21	
15411KY1340037					\$316.74	
15411KY1340038					\$0.00	
15411KY1340039					\$0.00	
15411KY1340040					\$0.00	
15411KY1340101					\$453.57	
15411KY1340102					\$432.75	
15411KY1340103					\$387.38	
15411KY1340104					\$482.50	
15411KY1340105					\$470.13	
15411KY1340107					\$431.85	
15411KY1340108					\$431.19	
15411KY1340109					\$388.34	
15411KY1340110					\$559.43	
15411KY1340113					\$419.42	

<u>Plan</u>	<u>Cost Sharing Adjustment</u>	<u>Network</u>	<u>Addition to EHB</u>	<u>Admin and Fees</u> = 1 / (1 - Admin)	<u>Plan Adjusted Index Rate</u>	<u>Member Distribution</u>
15411KY1340201					\$427.28	
15411KY1340202					\$532.37	
15411KY1340203					\$504.64	
15411KY1340204					\$501.22	
15411KY1340205					\$457.71	
15411KY1340206					\$454.83	
15411KY1340207					\$439.89	
15411KY1340208					\$368.35	
15411KY1340209					\$337.87	
15411KY1340210					\$345.31	
15411KY1340211					\$443.79	
15411KY1350001					\$474.69	
15411KY1350002					\$0.00	
15411KY1350003					\$0.00	
15411KY1350004					\$0.00	
15411KY1350005					\$565.97	
15411KY1350006					\$0.00	
15411KY1350007					\$482.62	
15411KY1350008					\$486.70	
15411KY1350009					\$0.00	
15411KY1350010					\$472.29	
15411KY1350011					\$532.79	
15411KY1350012					\$525.10	
15411KY1350013					\$463.23	
15411KY1350014					\$458.49	
15411KY1350015					\$449.25	
15411KY1350016					\$0.00	
15411KY1350017					\$502.90	
15411KY1350018					\$443.01	
15411KY1350019					\$0.00	
15411KY1350020					\$0.00	
15411KY1350021					\$0.00	
15411KY1350022					\$0.00	
15411KY1350023					\$409.64	
15411KY1350024					\$0.00	
15411KY1350025					\$0.00	
15411KY1350026					\$404.00	
15411KY1350027					\$530.45	
15411KY1350028					\$368.29	
15411KY1350029					\$0.00	
15411KY1350030					\$0.00	
15411KY1350032					\$0.00	
15411KY1350034					\$0.00	

<u>Plan</u>	<u>Cost Sharing Adjustment</u>	<u>Network</u>	<u>Addition to EHB</u>	<u>Admin and Fees</u> = 1 / (1 - Admin)	<u>Plan Adjusted Index Rate</u>	<u>Member Distribution</u>
15411KY1350035					\$340.21	
15411KY1350037					\$316.74	
15411KY1350038					\$0.00	
15411KY1350039					\$0.00	
15411KY1350040					\$0.00	
15411KY1350101					\$453.57	
15411KY1350102					\$432.75	
15411KY1350103					\$387.38	
15411KY1350104					\$482.50	
15411KY1350105					\$470.13	
15411KY1350107					\$431.85	
15411KY1350108					\$431.19	
15411KY1350109					\$388.34	
15411KY1350110					\$559.43	
15411KY1350113					\$419.42	
15411KY1350201					\$427.28	
15411KY1350202					\$532.37	
15411KY1350203					\$504.64	
15411KY1350204					\$501.22	
15411KY1350205					\$457.71	
15411KY1350206					\$454.83	
15411KY1350207					\$439.89	
15411KY1350208					\$368.35	
15411KY1350209					\$337.87	
15411KY1350210					\$345.31	
15411KY1350211					\$443.79	
15411KY1470001					\$454.29	
15411KY1470002					\$0.00	
15411KY1470003					\$0.00	
15411KY1470004					\$0.00	
15411KY1470005					\$541.61	
15411KY1470006					\$0.00	
15411KY1470007					\$461.91	
15411KY1470008					\$465.75	
15411KY1470009					\$0.00	
15411KY1470010					\$452.01	
15411KY1470011					\$509.86	
15411KY1470012					\$502.48	
15411KY1470013					\$443.37	
15411KY1470014					\$438.75	
15411KY1470015					\$429.87	
15411KY1470016					\$0.00	
15411KY1470017					\$481.24	

<u>Plan</u>	<u>Cost Sharing Adjustment</u>	<u>Network</u>	<u>Addition to EHB</u>	<u>Admin and Fees</u> = 1 / (1 - Admin)	<u>Plan Adjusted Index Rate</u>	<u>Member Distribution</u>
15411KY1470018					\$423.98	
15411KY1470019					\$0.00	
15411KY1470020					\$0.00	
15411KY1470021					\$0.00	
15411KY1470022					\$0.00	
15411KY1470023					\$392.00	
15411KY1470024					\$0.00	
15411KY1470025					\$0.00	
15411KY1470026					\$386.60	
15411KY1470027					\$507.64	
15411KY1470028					\$352.45	
15411KY1470029					\$0.00	
15411KY1470030					\$0.00	
15411KY1470032					\$0.00	
15411KY1470034					\$0.00	
15411KY1470035					\$325.50	
15411KY1470037					\$303.18	
15411KY1470038					\$0.00	
15411KY1470039					\$0.00	
15411KY1470040					\$0.00	
15411KY1470101					\$434.07	
15411KY1470102					\$414.14	
15411KY1470103					\$370.75	
15411KY1470104					\$461.79	
15411KY1470105					\$449.97	
15411KY1470107					\$413.24	
15411KY1470108					\$412.64	
15411KY1470109					\$371.59	
15411KY1470110					\$535.37	
15411KY1470113					\$401.36	
15411KY1470201					\$408.92	
15411KY1470202					\$509.44	
15411KY1470203					\$482.92	
15411KY1470204					\$479.68	
15411KY1470205					\$438.03	
15411KY1470206					\$435.27	
15411KY1470207					\$420.98	
15411KY1470208					\$352.45	
15411KY1470209					\$323.34	
15411KY1470210					\$330.49	
15411KY1470211					\$424.70	

Average Network	1.0003	Weighted Plan Adjusted Index Rates	\$450.05	100%
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Cost Sharing Adjustment:

Our product pricing is developed based on a nationwide third party pricing model calibrated to Humana's Small Business cost levels. The plan design parameters were applied to those allowed claims to produce paid claims and cost sharing factors. The pricing methodology incorporates expected utilization based on different cost sharing components. The methodology does not include differences due to health status in accordance with generally accepted actuarial principles and methodologies.

The 2017 plan factors reflect changes due to benefit modifications and the use of an updated Humana pricing model. These changes are accounted for in pricing as follows:

- Benefit modifications are changes in the member cost share and flow through to the base rate.
- Updates to the Humana pricing model are neutral to the block of business and have been offset in the plan factors.

Network:

The development of the index rate includes the anticipated average unit costs derived from the provider networks that will be available on this legal entity in this state. These average unit costs are the result of charge levels, network discounts, delivery system characteristics and utilization management practices across the entire state, for this legal entity.

Addition to EHB:

An adjustment for the addition of non-EHB benefits (additional benefits we provide at our own discretion, as well as any state mandated benefits not reflected in the benchmark plan). It is assumed that the addition of such benefits increases costs to all plans uniformly, hence it is essentially handled as a market-wide adjustment. See "Changes in Benefits" earlier section for more details.

Admin and Fees:

Administrative and Fees estimates were based on our internal forecast for the projected period. They were estimated based on current costs, modified to accommodate projected volume changes and changes in department workload. These are presented as a flat percentage of premium at this point in time and do not vary by product or plan, and thus are essentially another market-wide adjustment applied to the projected index rate. See "Non-Benefit Expenses and Profit & Risk" earlier section for more details.

Calibration

The average age factor is calculated as the member weighted age rating factor, using the projected age distribution assumptions in the pricing model. The average age factor is then compared to the standard age rating curve; the age factor closest to the calculated weighted age rating factor is used to select the whole number calibration age.

The calculation described above uses a factor of zero for the distribution of members expected to pay no premium. This accounts for the lost revenue due to the three under age 21 child dependent cap.

Weighted Average Age Factor:	1.4067
Calibrated Age Factor - Closest Age Factor on Standard Curve:	1.3970
Whole Number Calibration Age	44

The percentage difference between the Calibrated Age Factor and the Weighted Average Age Factor is:
 $1.397/1.407-1 = -0.69\%$

Age Curve Calibration		
Age Range	Age Factor	Distribution
Pay No Premium	0.000	
0-20	0.635	
21-24	1.000	
25	1.004	
26	1.024	
27	1.048	
28	1.087	
29	1.119	
30	1.135	
31	1.159	
32	1.183	
33	1.198	
34	1.214	
35	1.222	
36	1.230	
37	1.238	
38	1.246	
39	1.262	
40	1.278	
41	1.302	
42	1.325	
43	1.357	
44	1.397	
45	1.444	
46	1.500	
47	1.563	
48	1.635	
49	1.706	
50	1.786	
51	1.865	
52	1.952	
53	2.040	
54	2.135	
55	2.230	
56	2.333	
57	2.437	
58	2.548	
59	2.603	
60	2.714	
61	2.810	
62	2.873	
63	2.952	
64+	3.000	

Calibration Continued

Geographic Factor Calibration

The average geographic factor is calculated as the member weighted geographic rating factor, using the projected geographic distribution assumptions in the pricing model. Only regions with projected membership are shown.

<u>Rating Area</u>	<u>Geo Factor</u>	<u>Distribution</u>
Rating Area 1		
Rating Area 2		
Rating Area 8		
Rating Area 3		
Rating Area 4		
Rating Area 5		
Rating Area 6		
Rating Area 7		

Weighted Average Geographic Factor: 0.979

Tobacco Calibration

Humana will not rate for tobacco use during the effective period.

Consumer Adjusted Premium Rate Development

Since the rates were filed with quarterly trend, the Index Rate, the Market-Wide Adjusted Index Rate, and the Plan Adjusted Index Rate reflect the member weighted average premium over the calendar year. Therefore, when developing the Consumer Adjusted Premium Rates, the Plan Adjusted Index Rates must be adjusted to reflect the appropriate quarter when the consumer level modifiers are applied. The discounted trend factors that apply to the weighted average Plan Adjusted Index Rates by quarter have been derived below. The formula for developing the Consumer Adjusted Premium Rate is to multiply the Plan Adjusted Index Rate by the appropriate age and area factors for the member , multiply by the appropriate discounted trend factor, and divide by the allowable calibration factors shown in the "Calibration" section. For example...

Consumer Adjusted Premium Rate - Using the Calibrated Age Factor (Closest Age Factor on the Standard Curve)

	Member 1	Member 2	Member 3	Member 4
Plan	15411KY1350001	15411KY1350001	15411KY1350001	15411KY1350001
Rating Area	Rating Area 1	Rating Area 1	Rating Area 1	Rating Area 1
Age	21	35	48	61
Plan Adjusted Index Rate	\$474.69	\$474.69	\$474.69	\$474.69
x Discounted Trend Factor 1Q17	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
x Actual Area factor	0.000	0.000	0.000	0.000
x Actual Age factor	1.000	1.222	1.635	2.810
÷ Calibrated Area factor	0.979	0.979	0.979	0.979
÷ Calibrated Age factor	1.397	1.397	1.397	1.397
Consumer Adjusted Premium Rate	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!

Consumer Adjusted Premium Rate - Using the Weighted Average Age Factor (Reconciles to the Rate Data Template)

	Member 1	Member 2	Member 3	Member 4
Plan	15411KY1350001	15411KY1350001	15411KY1350001	15411KY1350001
Rating Area	Rating Area 1	Rating Area 1	Rating Area 1	Rating Area 1
Age	21	35	48	61
Plan Adjusted Index Rate	\$474.69	\$474.69	\$474.69	\$474.69
x Discounted Trend Factor 1Q17	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
x Actual Area factor	0.000	0.000	0.000	0.000
x Actual Age factor	1.000	1.222	1.635	2.810
÷ Calibrated Area factor	0.979	0.979	0.979	0.979
÷ Weighted Average Age Factor	1.407	1.407	1.407	1.407
Consumer Adjusted Premium Rate	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!

Discounted Trend Factor Development

	A	B	C	D
	Trend Factor	Members	Weighted Trend Factor	Discounted Trend Factor =(A/C)
1Q17	1.0000	0	#DIV/0!	#DIV/0!
2Q17	1.0231	0		
3Q17	1.0467	0		
4Q17	1.0708	0		
Total	#DIV/0!	0		

Small Group Plan Premium Rates

Please see "Index Rate" section to view the pricing rate action taken throughout the projected period.

AV Metal Values

The AV Metal Values entered in Worksheet 2 of the Part I Unified Rate Review Template were developed in the 2017 AV calculator. In accordance with 45 CFR §156.135(b) and actuarial standards of practice, we adjusted the AVC inputs of certain cost share parameters to account for non-standard benefit designs. Adjusted inputs include the Rx copays, ER coinsurance (TX only), and Simplicity outpatient coinsurance. No AV Metal Values were determined using an alternate methodology.

Please note that AV Metal Value determinations follow the AV Calculator methodology prescribed by HHS, and these actuarial values were used only for determining a plan's metal tier. They do not reflect Humana's estimate of the portion of costs covered by the health plan.

AV Pricing Values

The AV Pricing Values are calculated as the ratio of each Plan Adjusted Index Rate and the Market-Wide Adjusted Index Rate. Please see the "Plan Adjusted Index Rates" section for the breakouts of the allowable modifiers.

Membership Projections

The membership projections found in Worksheet 2 of the Part I Unified Rate Review Template were determined by renewing groups on similar plans throughout the projected period. The company accomplished this by mapping membership projected to go from non-ACA compliant plans to similar ACA compliant plans upon renewal and mapping membership on ACA compliant plans to the same or like ACA compliant plans upon renewal. The overall membership volume is adjusted for anticipated member sales, in-force persistency, and relative competitiveness via our internal market level projection models. There is also an adjustment on plans with zero mapped members due to 2016 Unified Rate Review Instructions not allowing projected membership on any non-terminated plan to be zero. If a non-terminated plan originally had zero mapped member months, the projected member months on Worksheet II will show 2, thus increasing the total member months by 104.

Plan Type

The plan types selected in the drop-down boxes in Worksheet 2, Section I of the Part I Unified Rate Review Template for each of the company's plans do not require further explanation. The company's plan types align with the definitions found on the Healthcare.gov website.

Terminated Products

A list of terminated plans has been provided below. If a terminated plan has been mapped to a different plan in the projection period, then a cross-walk between the terminated plan(s) and the new plan(s) has been provided below as well. A list of the non-single risk pool compliant plans has also been provided below.

(1) List of Terminated Non-Single Risk Pool Compliant Products:

15411KY012, 15411KY013, 15411KY014, 15411KY015, 15411KY016, 15411KY017, 15411KY018, 15411KY019, 15411KY020, 15411KY021, 15411KY022, 15411KY023, 15411KY024, 15411KY025, 15411KY026, 15411KY027, 15411KY028, 15411KY029, 15411KY030, 15411KY031, 15411KY032, 15411KY033, 15411KY035, 15411KY039, 15411KY040, 15411KY041, 15411KY042, 15411KY043, 15411KY044, 15411KY045, 15411KY046, 15411KY047, 15411KY048, 15411KY049, 15411KY057, 15411KY058, 15411KY059, 15411KY060, 15411KY061, 15411KY062, 15411KY063, 15411KY064, 15411KY065, 15411KY66, 15411KY067, 15411KY068, 15411KY069, 15411KY070, 15411KY071, 15411KY072, 15411KY073, 15411KY074, 15411KY075, 15411KY076, 15411KY077, 15411KY078, 15411KY079, 15411KY080, 15411KY081, 15411KY082, 15411KY083, 15411KY084, 15411KY085, 15411KY086, 15411KY087, 15411KY088, 15411KY089, 15411KY090, 15411KY091, 15411KY092, 15411KY093, 15411KY094, 15411KY095, 15411KY096, 15411KY097, 15411KY098, 15411KY099, 15411KY100, 15411KY101, 15411KY102, 15411KY103, 15411KY104, 15411KY105, 15411KY106, 15411KY107, 15411KY108, 15411KY109, 15411KY110, 15411KY111, 15411KY112, 15411KY113, 15411KY114, 15411KY115, 15411KY116, 15411KY117, 15411KY118, 15411KY119, 15411KY120, 15411KY121, 15411KY122, 15411KY123, 15411KY124, 15411KY125, 15411KY126, 15411KY127, 15411KY128, 15411KY129, 15411KY130

(2) List of Terminated Single Risk Pool Compliant Plans and the associated Mapped Plan (terminated prior to the effective date and has experience during the experience period):

<u>Terminated Standard</u>	<u>Mapped Standard</u>	<u>Terminated Standard</u>	<u>Mapped Standard</u>
<u>Component Id</u>	<u>Component Id</u>	<u>Component Id</u>	<u>Component Id</u>
15411KY1310002	15411KY1310101	15411KY1310028	15411KY1310107
15411KY1310003	15411KY1310102	15411KY1310029	15411KY1310013
15411KY1310004	15411KY1310005	15411KY1310030	15411KY1310107
15411KY1310006	15411KY1310013	15411KY1310032	15411KY1310107
15411KY1310007	15411KY1310013	15411KY1310034	15411KY1310107
15411KY1310008	15411KY1310013	15411KY1310035	15411KY1310107
15411KY1310009	15411KY1310014	15411KY1310037	15411KY1310108
15411KY1310010	15411KY1310014	15411KY1310038	15411KY1310014
15411KY1310011	15411KY1310013	15411KY1310039	15411KY1310014
15411KY1310012	15411KY1310013	15411KY1310040	15411KY1310108
15411KY1310015	15411KY1310014	15411KY1320001	15411KY1350001
15411KY1310016	15411KY1310014	15411KY1320002	15411KY1350101
15411KY1310017	15411KY1310018	15411KY1320003	15411KY1350102
15411KY1310019	15411KY1310018	15411KY1320004	15411KY1350005
15411KY1310020	15411KY1310108	15411KY1320005	15411KY1350005
15411KY1310021	15411KY1310108	15411KY1320006	15411KY1350008
15411KY1310022	15411KY1310108	15411KY1320007	15411KY1350008
15411KY1310024	15411KY1310023	15411KY1320008	15411KY1350008
15411KY1310025	15411KY1310023	15411KY1320009	15411KY1350010
15411KY1310026	15411KY1310023	15411KY1320010	15411KY1350010
15411KY1310027	15411KY1310013	15411KY1320011	15411KY1350013

<u>Terminated Standard</u>	<u>Mapped Standard</u>	<u>Terminated Standard</u>	<u>Mapped Standard</u>
<u>Component Id</u>	<u>Component Id</u>	<u>Component Id</u>	<u>Component Id</u>
15411KY1320012	15411KY1350013	15411KY1330019	15411KY1350018
15411KY1320013	15411KY1350013	15411KY1330020	15411KY1350108
15411KY1320014	15411KY1350014	15411KY1330021	15411KY1350108
15411KY1320015	15411KY1350014	15411KY1330022	15411KY1350108
15411KY1320016	15411KY1350014	15411KY1330023	15411KY1350023
15411KY1320017	15411KY1350018	15411KY1330024	15411KY1350023
15411KY1320018	15411KY1350018	15411KY1330025	15411KY1350023
15411KY1320019	15411KY1350018	15411KY1330026	15411KY1350023
15411KY1320020	15411KY1350108	15411KY1330027	15411KY1350008
15411KY1320021	15411KY1350108	15411KY1330028	15411KY1350107
15411KY1320022	15411KY1350108	15411KY1330029	15411KY1350013
15411KY1320023	15411KY1350023	15411KY1330030	15411KY1350107
15411KY1320024	15411KY1350023	15411KY1330032	15411KY1350107
15411KY1320025	15411KY1350023	15411KY1330034	15411KY1350107
15411KY1320026	15411KY1350023	15411KY1330035	15411KY1350107
15411KY1320027	15411KY1350008	15411KY1330037	15411KY1350108
15411KY1320028	15411KY1350107	15411KY1330038	15411KY1350014
15411KY1320029	15411KY1350013	15411KY1330039	15411KY1350014
15411KY1320030	15411KY1350107	15411KY1330040	15411KY1350108
15411KY1320032	15411KY1350107	15411KY1340002	15411KY1340101
15411KY1320034	15411KY1350107	15411KY1340003	15411KY1340102
15411KY1320035	15411KY1350107	15411KY1340004	15411KY1340005
15411KY1320037	15411KY1350108	15411KY1340006	15411KY1340007
15411KY1320038	15411KY1350014	15411KY1340009	15411KY1340010
15411KY1320039	15411KY1350014	15411KY1340016	15411KY1340015
15411KY1320040	15411KY1350108	15411KY1340019	15411KY1340018
15411KY1330001	15411KY1350001	15411KY1340020	15411KY1340023
15411KY1330002	15411KY1350101	15411KY1340021	15411KY1340023
15411KY1330003	15411KY1350102	15411KY1340022	15411KY1340023
15411KY1330004	15411KY1350005	15411KY1340024	15411KY1340026
15411KY1330005	15411KY1350005	15411KY1340025	15411KY1340026
15411KY1330006	15411KY1350008	15411KY1340029	15411KY1340113
15411KY1330007	15411KY1350008	15411KY1340030	15411KY1340035
15411KY1330008	15411KY1350008	15411KY1340032	15411KY1340035
15411KY1330009	15411KY1350010	15411KY1340034	15411KY1340035
15411KY1330010	15411KY1350010	15411KY1340038	15411KY1340014
15411KY1330011	15411KY1350013	15411KY1340039	15411KY1340015
15411KY1330012	15411KY1350013	15411KY1340040	15411KY1340035
15411KY1330013	15411KY1350013	15411KY1350002	15411KY1350101
15411KY1330014	15411KY1350014	15411KY1350003	15411KY1350102
15411KY1330015	15411KY1350014	15411KY1350004	15411KY1350005
15411KY1330016	15411KY1350014	15411KY1350006	15411KY1350007
15411KY1330017	15411KY1350018	15411KY1350009	15411KY1350010
15411KY1330018	15411KY1350018	15411KY1350016	15411KY1350015

<u>Terminated Standard</u>	<u>Mapped Standard</u>
<u>Component Id</u>	<u>Component Id</u>
15411KY1350019	15411KY1350018
15411KY1350020	15411KY1350023
15411KY1350021	15411KY1350023
15411KY1350022	15411KY1350023
15411KY1350024	15411KY1350026
15411KY1350025	15411KY1350026
15411KY1350029	15411KY1350113
15411KY1350030	15411KY1350035
15411KY1350032	15411KY1350035
15411KY1350034	15411KY1350035
15411KY1350038	15411KY1350014
15411KY1350039	15411KY1350015
15411KY1350040	15411KY1350035
15411KY1470002	15411KY1470101
15411KY1470003	15411KY1470102
15411KY1470004	15411KY1470005
15411KY1470006	15411KY1470007
15411KY1470009	15411KY1340010
15411KY1470016	15411KY1470015
15411KY1470019	15411KY1470018
15411KY1470020	15411KY1470023
15411KY1470021	15411KY1470023
15411KY1470022	15411KY1470023
15411KY1470024	15411KY1470026
15411KY1470025	15411KY1470026
15411KY1470029	15411KY1470113
15411KY1470030	15411KY1470035
15411KY1470032	15411KY1470035
15411KY1470034	15411KY1470035
15411KY1470038	15411KY1470014
15411KY1470039	15411KY1470015
15411KY1470040	15411KY1470035

(3) List of Terminated Single Risk Pool Compliant Plans and the associated Mapped Plan (terminated prior to the effective date and has experience during the experience period):

<u>Terminated Standard Component Id</u>	<u>Mapped Standard Component Id</u>
15411KY1350106	15411KY1350207
15411KY1350111	15411KY1350113
15411KY1350112	15411KY1350028
15411KY1340106	15411KY1340207
15411KY1340111	15411KY1340113
15411KY1340112	15411KY1340028
15411KY1320101	15411KY1350101
15411KY1320102	15411KY1350102
15411KY1320103	15411KY1350103
15411KY1320107	15411KY1350107
15411KY1320108	15411KY1350108
15411KY1320109	15411KY1350109
15411KY1330101	15411KY1350101
15411KY1330102	15411KY1350102
15411KY1330103	15411KY1350103
15411KY1330107	15411KY1350107
15411KY1330108	15411KY1350108
15411KY1330109	15411KY1350109
15411KY1470106	15411KY1470207
15411KY1470111	15411KY1470113
15411KY1470112	15411KY1470028

Warning Alerts

Projected Member Months by Plan Equal to Zero – The instructions state that the projected member months for a plan should not be equal to zero. If the projected membership does not meet this criteria, issuers may be required to resubmit the Part I Unified Rate Review Template. The projected member months entered in Worksheet 1 represent the company’s best estimate of projected enrollment by plan; however, the company's projections resulted in a number of plans having zero projected member months. The company opted to enter two member months for each plan with zero projected member months. This resulted in a difference between worksheet 1 and worksheet 2.

This impact is: 0.025%

Projected Trended Index Rates - According to the instructions, premium rates for products in the small group market may be allowed to change on a quarterly basis for trend. If an issuer chooses to increase rates on a quarterly basis for trend, the issuer may file for trend increases throughout the calendar year. However, the Projected Index Rate must be reflective of the trended rates effective during the period. Based on this guidance, the only value on worksheet 1 adjusted for the member weighted average of the proposed trend increases is the Projected Index Rate (Cell V44). The Projected Index Rate is then used to develop the Plan Adjusted Index Rates (See the flow of the rate development outlined in the instructions). This results in a difference between worksheet 1 and worksheet 2.

This impact is: 1.8%

The Difference between the Expected Paid to Allowed Average Factor and the Expected Benefit Plan Average Factor - This results in a difference between worksheet 1 and worksheet 2.

This impact is: 0.05%

Plan Adjusted Index Rate in the Experience Period - The plan adjusted index rates for the experience period were entered based on what was filed in the 2015 rate filings. The Experience Period Plan Adjusted Index Rates average out to an approximate premium PMPM that was expected back when our 2015 filings were submitted. However, the actual Premium PMPM experienced during 2015 from Worksheet 1 differs now that actual experience is available.

In addition, \$0 was entered for the Plan Adjusted Index Rate under the Terminated Products column on Worksheet 2. When this gets weighted in, the average is brought down to be incomparable with Worksheet 1.

This impact is: 48.66%

The premium on Worksheet 1 is shown net of rebates, whereas the plan adjusted index rates have no adjustment for MLR rebates, which causes additional variation.

Lastly, the premium on Worksheet 1 is modified for risk adjustment, whereas the plan adjusted index rates have no adjustment for this

Total Premium in the Experience Period - The Total Premium is calculated as the Plan Adjusted Index rate PMPM multiplied by the member months. See the Plan Adjusted Index Rate Warning above for an explanation.

This impact is: 48.66%

Total Incurred claims, payable with issuer funds in the Experience Period - In worksheet 1 the experience period incurred claims do not include risk transfer charges or payments; however, in worksheet 2 the issuer is asked to estimate the risk transfer charge or payment.

This impact is: -0.26%

Reliance

I, Kolt Retzlaff, relied on information and underlying assumptions provided by internally developed pricing and modeling as well as third party consultant data in the establishment of these rates.

Actuarial Certification

I, Kolt Retzlaff, am an Associate Actuary employed by Humana Insurance Company of KY. I am a member of the American Academy of Actuaries and I meet the Qualification Standards of the American Academy of Actuaries to render the Statement of Actuarial Opinion contained herein.

I hereby certify that to the best of my knowledge and judgment and based upon the information presented to me:

1. The projected index rate is:

- a. in compliance with all applicable State and Federal Statutes and Regulations (45 CFR 156.80(d)(1)).
- b. developed in compliance with the applicable Actuarial Standards of Practice.
- c. reasonable in relation to the benefits provided and the population anticipated to be covered.
- d. neither excessive nor deficient.

2. That the index rate and only the allowable modifiers as described in 45 CFR 156.80(d)(1) and 45 CFR 156.80(d)(2) were used to generate plan level rates.

3. That the percent of total premium that represents essential health benefits included in Worksheet 2, Sections III and IV were calculated in accordance with actuarial standards of practice.

4. That the AV Metal Values shown in Worksheet 2 of the Part I Unified Rate Review Template were determined using the AV Calculator, in accordance with ASOP 50 and 45 CFR §156.135.

5. That all plans meet the AV Metallic tier requirements for 2017.

6. The geographic rating factors reflect only differences in the costs of delivery and do not include differences for population morbidity by geographic area.

This opinion is qualified, in that the Part I Unified Rate Review Template does not demonstrate the process used by the issuer to develop the rates. Rather, it represents information required by Federal regulation to be provided in support of the review of premium impacts, for certification of qualified health plans for Federally facilitated exchanges and for certification that the index rate is developed in accordance with Federal regulation and used consistently and only adjusted by the allowable modifiers.

Actuary signature:



Date: 4/22/2016

Kolt Retzlaff, ASA, MAAA
Associate Actuary